

# County Executive's FY18 Operating Budget Forum Briefing

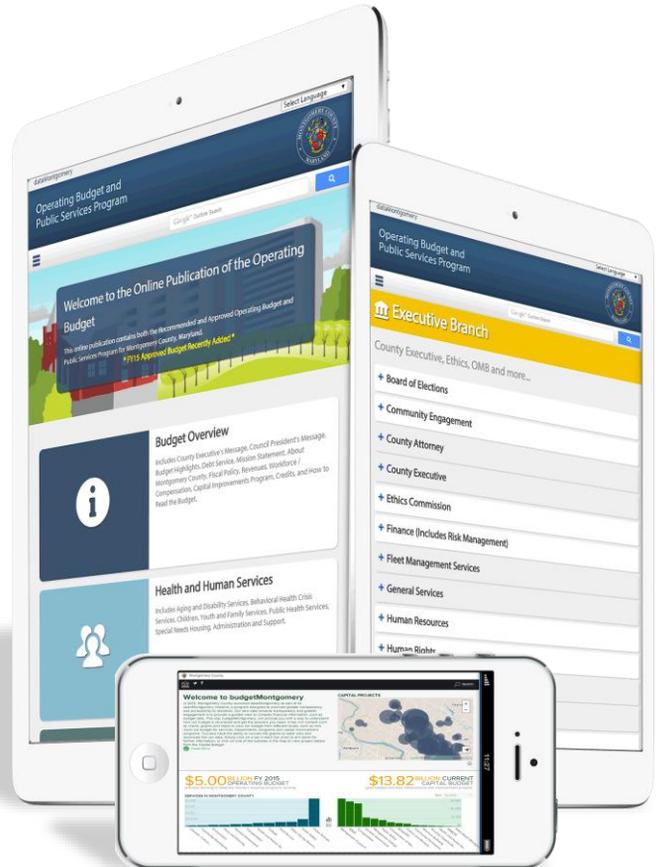
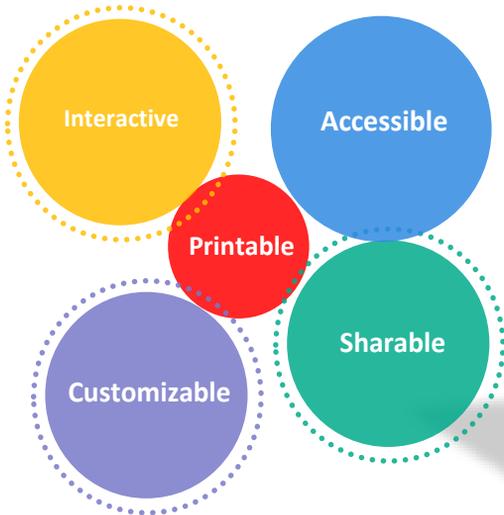
January 2017



Prepared by Montgomery County Office of Management & Budget and Department of Finance

# Open Budget – there is something for **everyone!**

[montgomerycountymd.gov/openbudget](http://montgomerycountymd.gov/openbudget)



# County Executive priorities

---



**1** A Responsive and Accountable  
County Government

**2** Affordable Housing in an  
Inclusive Community

**3** An Effective and Efficient  
Transportation Network

**4** Children Prepared to  
Live and Learn

**5** Healthy and Sustainable  
Communities

**6** Safe Streets and  
Secure Neighborhoods

**7** A Strong and Vibrant  
Economy

**8** Vital Living for  
All of Our Residents

# Fiscal Update

---



# FY17 Tax Supported Expenditures by Function

Tax Supported Expenditures Only	Appropriation	% of Total	% Sum	FTEs
1. MCPS	\$2,311,578,220	49.8%	49.8%	21,059.52
2. Public Safety	\$574,254,659	12.4%	62.1%	3,936.36
3. Debt Service	\$388,207,138	8.4%	70.5%	-
4. General Govt. & Other Functions	\$281,456,468	6.1%	76.6%	1,112.42
5. College	\$261,567,779	5.6%	82.2%	1,805.10
6. Health and Human Services	\$255,200,718	5.5%	87.7%	1,185.92
7. Transportation	\$178,333,381	3.8%	91.5%	1,078.35
8. Retiree Health Insurance	\$160,392,550	3.5%	95.0%	-
9. M-NCPPC (Park and Planning)	\$120,584,727	2.6%	97.6%	889.34
10. Libraries, Culture, & Recreation	\$82,813,788	1.8%	99.4%	822.51
11. Community Dev. and Housing	\$26,685,990	0.6%	99.9%	51.4
12. Environment	\$2,737,274	0.1%	100.0%	16.5
	<b>\$ 4,643,812,692</b>			<b>31,957.42</b>

## Revenue Challenges

FY16 audited actuals below FY16 estimates for the following major taxes:

- **Income Tax:** -\$15.6 million
- **Transfer and Recordation Taxes:** -\$13.0 million
- **Energy Tax:** -\$9.8 million

November 2016 Tax Revenue forecast was lower than expected – forecast has been revised downward for FY17 and FY18 by a total of \$25.5 million

### Income Tax Uncertainty

- FY18 income tax projection: \$11.7 million below Finance’s March 2016 estimate
- **MD State Comptroller v. Wynne** - Projections assume losses of \$16.7 million in FY17 and FY18; \$13.6 million in FY19
- State of Maryland – Estimates a FY16-FY18 revenue shortfall between \$600 million and \$800 million

Next revenue update is late February

## High structural cost increases for:

- **Debt Service**, Reserves, Retiree Health Insurance
- **Maintenance-of-Effort** requirement for MCPS and College

## Cost pressure is actually higher because other factors must be accounted for including:

- **Labor agreements** – negotiations underway with the County unions
- **Cost increases** for group insurance, pensions, workers compensation, and general inflation
- **Operating cost** of new facilities and infrastructure
- State Aid or Federal grant and other **revenue shortfalls**
- Demand for **service enhancements**

# FY18 Fiscal Projection

Source	\$Millions
Additional Revenues	\$112.2
Debt Service	\$13.8
CIP Current Revenue / PAY GO	\$35.0
Reserves / Set Asides	\$115.8
<b>Total Additional Fixed Costs</b>	<b>\$164.6</b>
<b>Assuming a 2% increase in agency budgets</b>	<b>\$85.1</b>
<b>Fiscal Shortfall or Gap</b>	<b>-\$137.5</b>

# FY18 Fiscal Outlook – Continuing Challenges

---



**Disappointing revenue growth**



**State and Federal budget uncertainty** – budget reductions, cuts to State Aid and Federal dollars



**High structural cost increases** – debt service, retiree health, reserves, compensation and benefits



State-mandated **Maintenance-of-Effort spending requirements (MOE)** for MCPS and Montgomery College



Deferred infrastructure maintenance



**Operating impact of new facilities** – libraries, schools, college, recreation centers, and fire stations



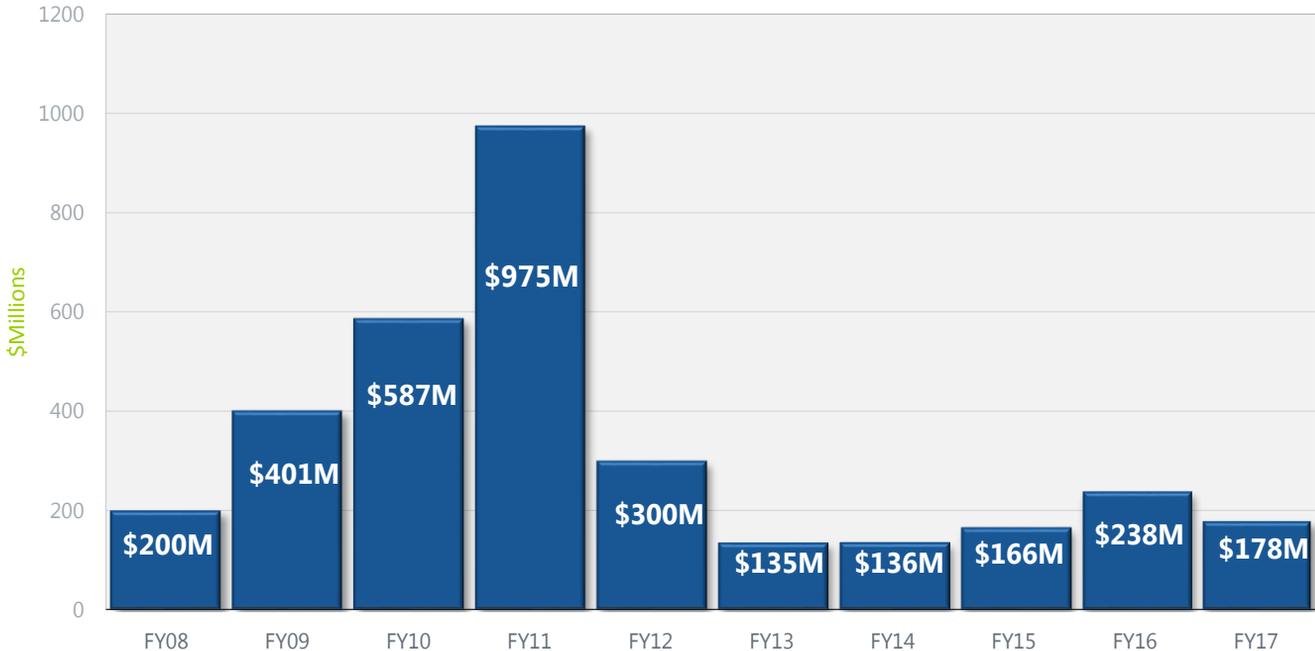
Unavoidable cost increases related to **energy costs, snow removal, and inflation**

Montgomery County is on the right path to **sustainability**

- ✓ **Closed \$3.3 billion** in budget gaps over the past 10 years
- ✓ **Slowed the rate of growth in expenditures**
- ✓ Successfully implemented plan to **increase reserves**, on track to **reaching 10% goal by 2020**
- ✓ **Increased funding for Retiree Health Insurance (OPEB)**, fully funded annual requirement in FY15
- ✓ **Permanent long-term cost reductions** for:
  - Employee compensation, group insurance, retiree health insurance, and pensions
  - **Reduced over 1200 positions** in the FY08-12 period

# Budget Shortfalls Closed

by **County Executive Leggett**  
**\$3.3 billion** over 10 years



# Our Budget

---



# Two Budgets **One County**

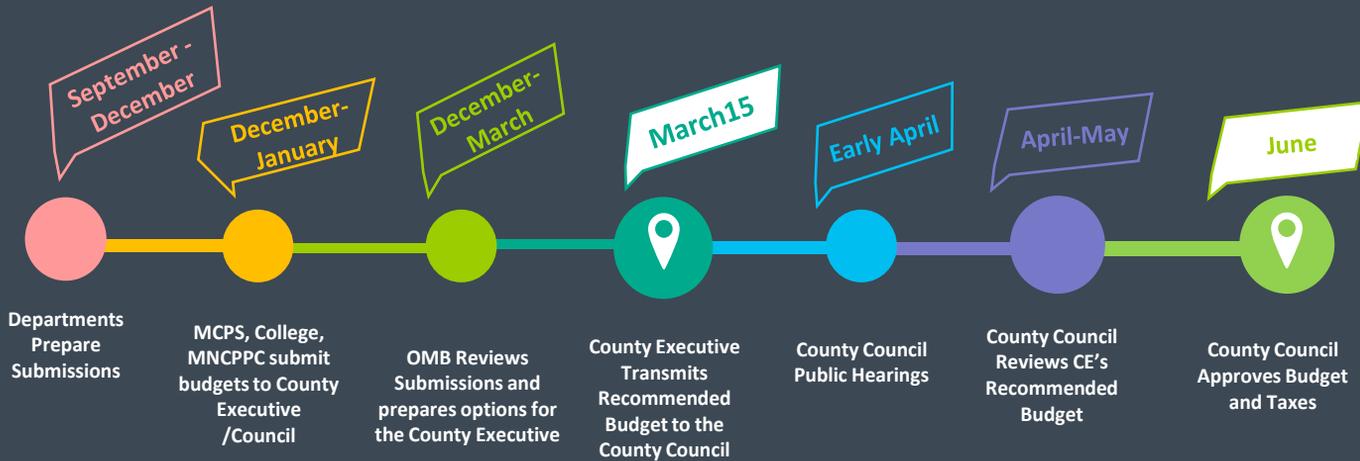
## Operating Budget: **Services**

- ✔ K-12 education
- ✔ Community College education
- ✔ Public safety: Police, Fire, Courts, Corrections
- ✔ Transportation: Roads, Traffic, Bus
- ✔ Social Services: Health, Income Maintenance, other
- ✔ Environmental protection
- ✔ Parks, recreation, and libraries
- ✔ Land use planning and regulation
- ✔ Trash collection and disposal
- ✔ Economic development
- ✔ Debt Service

## Capital Budget: **Facilities**

- ✔ Schools, College facilities
- ✔ Roads and bridges
- ✔ Water and sewer facilities
- ✔ Information technology infrastructure
- ✔ Libraries
- ✔ Police and fire stations
- ✔ General government facilities
- ✔ Funded primarily through the issuance of bonds (borrowing)

# Operating Budget Process



# Operating Budget

County Budget is divided into two parts

## Tax Supported

**Excludes** grants and services supported by fees and charges (non-tax supported funds)

## Non-Tax Supported

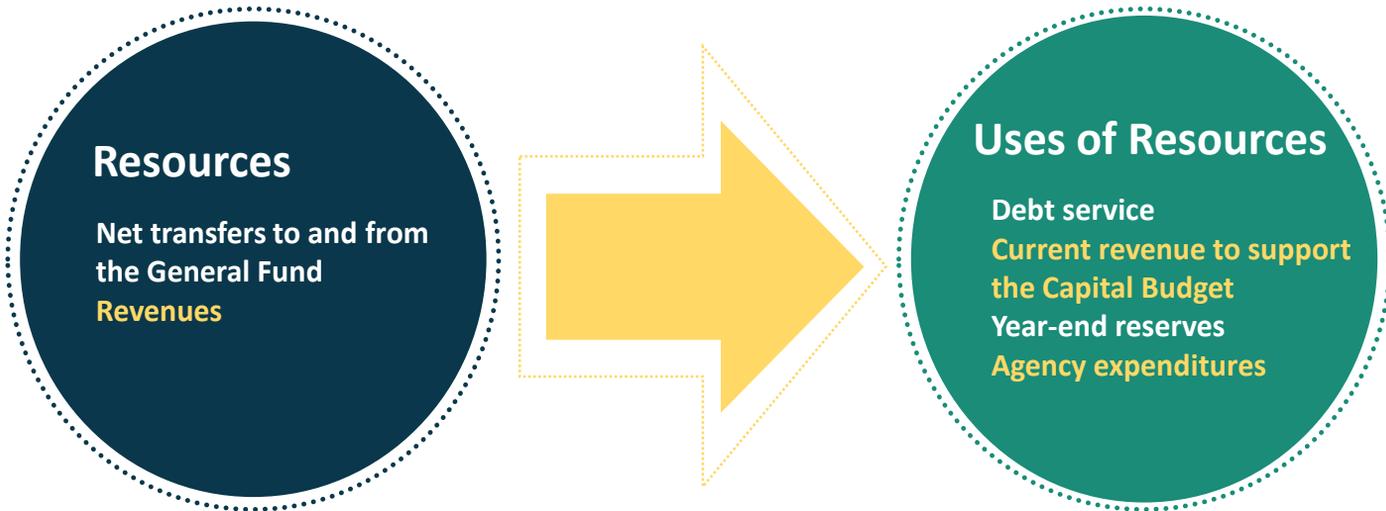
Funds are **self-sustaining** and generally not subject to fluctuations in tax receipts

Total Non-Tax Supported Funds: **\$658.0 million**

Grants:  
**\$218.8 million**

Self-Supporting funds:  
**\$439.2 million**

# County Executive's Fiscal Plan



The **budget is balanced** when **projected resources are equal to projected uses**, including funding reserves to the policy level.

## Selected Fiscal Assumptions: Resources

- ➔ Property tax revenues are projected at the Charter Limit
- ➔ Other tax revenues and user fees are projected at their current rates
- ➔ Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget
- ➔ Latest revenue estimate: **Net decrease** in anticipated County revenues of **\$25.5 million (\$3.9 million in FY17 and \$21.6 million in FY18)** compared to estimates assumed at the time the FY17 budget was approved

*By law, the greater of 50% of excess revenue or 0.5% of revenues must be allocated to the reserves*

## Selected Fiscal Assumptions: Expenditures

- Under these assumptions, total agency expenditures must be **reduced 1.2%** to produce a balanced budget in FY18.
- Because of State law requiring a certain level of funding for MCPS and Montgomery College, County Government and Park and Planning could sustain **reductions of nearly 2.6%**.

# County Executive's Six Point Economic Plan

- 1 MOVE/Build Program
- 2 MC Squared
- 3 Montgomery County Transit Authority
- 4 Streamlining Development
- 5 Ultra Montgomery
- 6 Realigning the Countywide Workforce System



# County Executive's Six Point Economic Plan

---

1

## **MOVE/Build Program**

- ➔ A business attraction and retention tool that turns office space and vacant land into tax revenues.
- ➔ MOVE provides leasing subsidy for new office tenants. BUILD provides tax abatement for class A office building construction.

2

## **MC Squared**

- ➔ A set of new incubator and accelerator programs that nurture tech entrepreneurship.
- ➔ Includes a health IT accelerator, a mentoring program and a partnership with DC's 1776 tech incubator.

3

## **Montgomery County Transit Authority**

- ➔ A new public agency with dedicated attention and resources to oversee all aspects of transit matters in the County and move the planned transit projects forward.

# County Executive's Six Point Economic Plan

---

## 4 Streamlining Development

- ➔ Continue streamlining development approval through a 30-day building permit turn-around and a new Development Ombudsperson position in the Office of the County Executive to facilitate problem-solving.

## 5 Ultra Montgomery

- ➔ Develops ultra fast (100 gigabit) fiber and WiFi networks to connect business, academic, and federal institutions along major corridors and transit-oriented smart-growth communities.

## 6 Realigning the Countywide Workforce System

- ➔ A private entity, WorkSource Montgomery, Inc., was established to consolidate and coordinate all workforce programs in the County.
- ➔ Develop innovative ways to address both community needs and market demands, such as creating additional vocational apprenticeship programs.

For further information visit: <http://montgomerycountymd.gov/ep/overview.html>

# Community Participation



- ✓ Letters/emails to the County Executive and Councilmembers
- ✓ Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- ✓ **Executive Branch sponsored budget forums across the County, where residents and businesses provide input on their priorities**
- ✓ County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- ✓ County Charter requires the Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- ✓ Public hearings related to budgets, legislation, and regulations are advertised in local press
- ✓ County Council town hall meetings
- ✓ Letters to local press
- ✓ Citizen participation groups (Taxpayers' League, etc.)